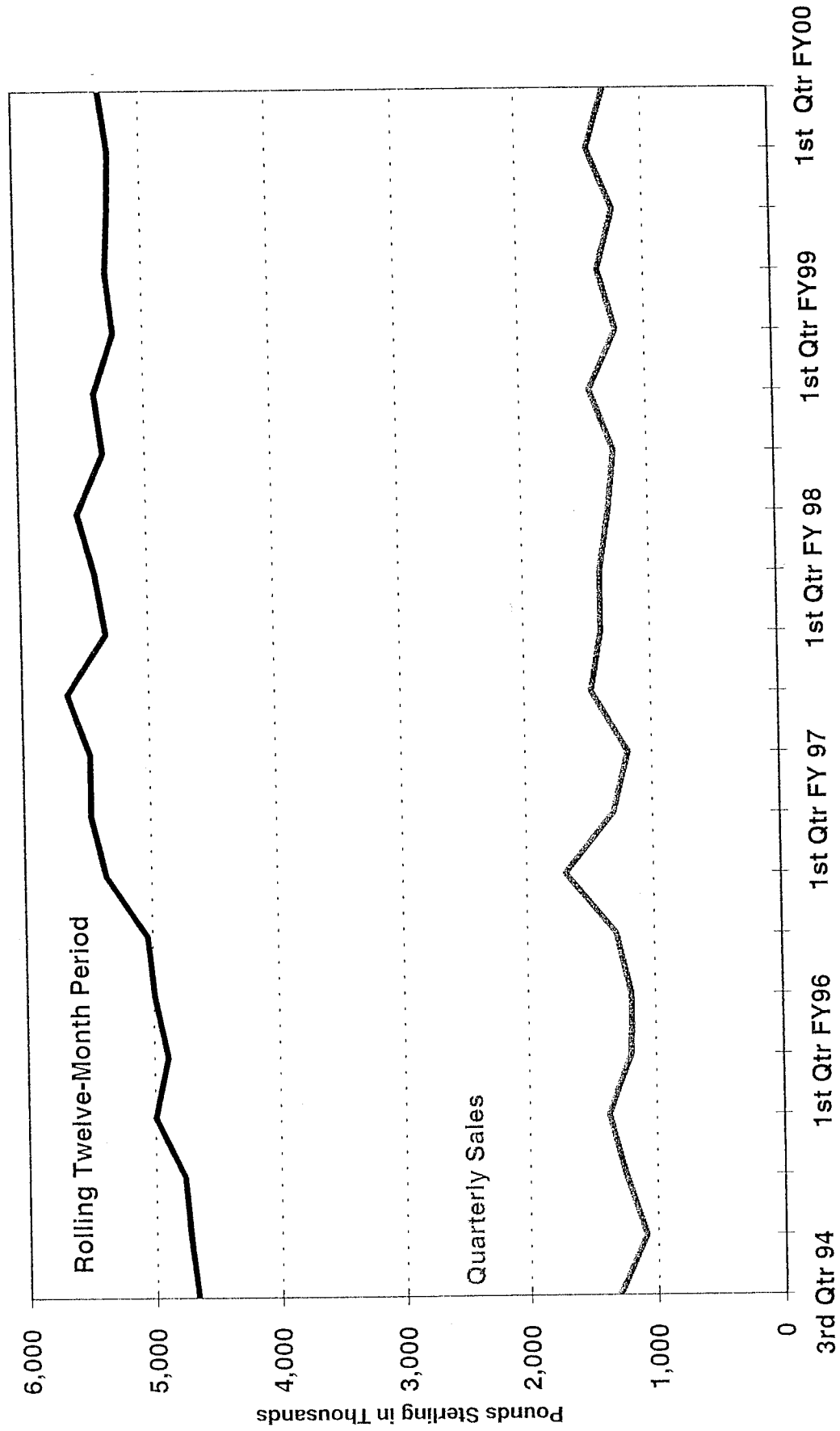


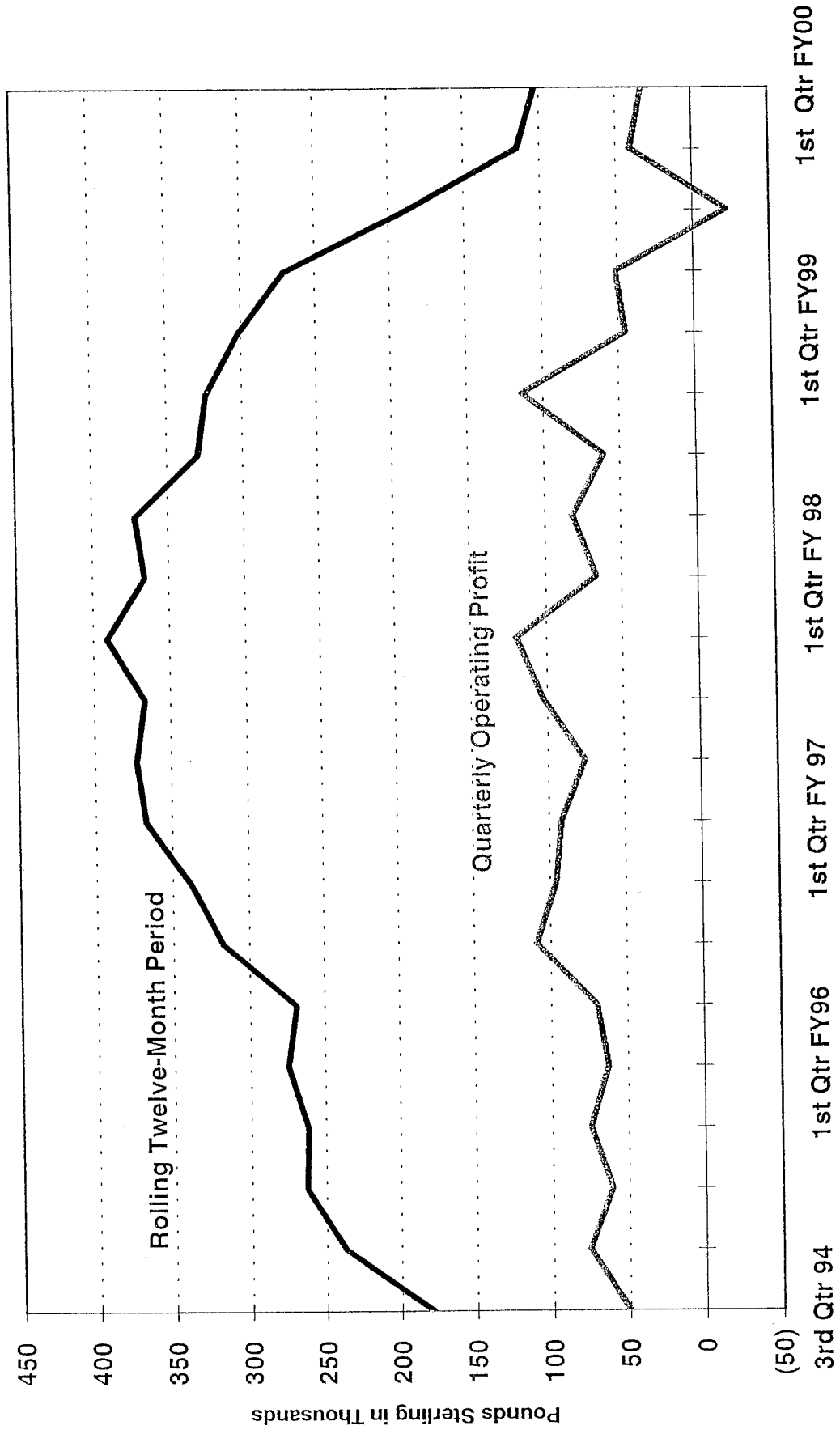
Mitchell, Shackleton & Co. Ltd.

Sales



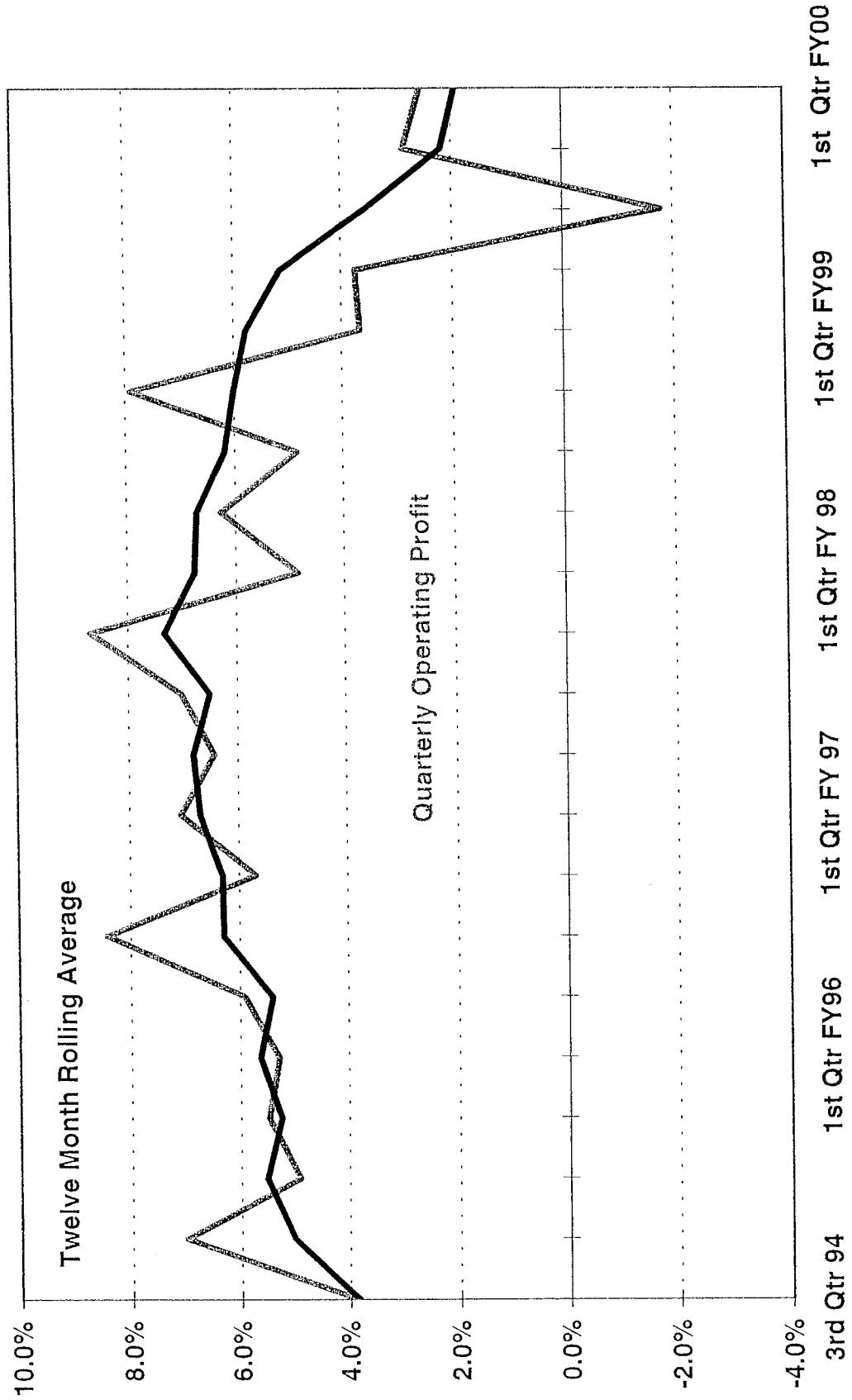
Mitchell, Shackleton & Co. Ltd.

Operating Profits



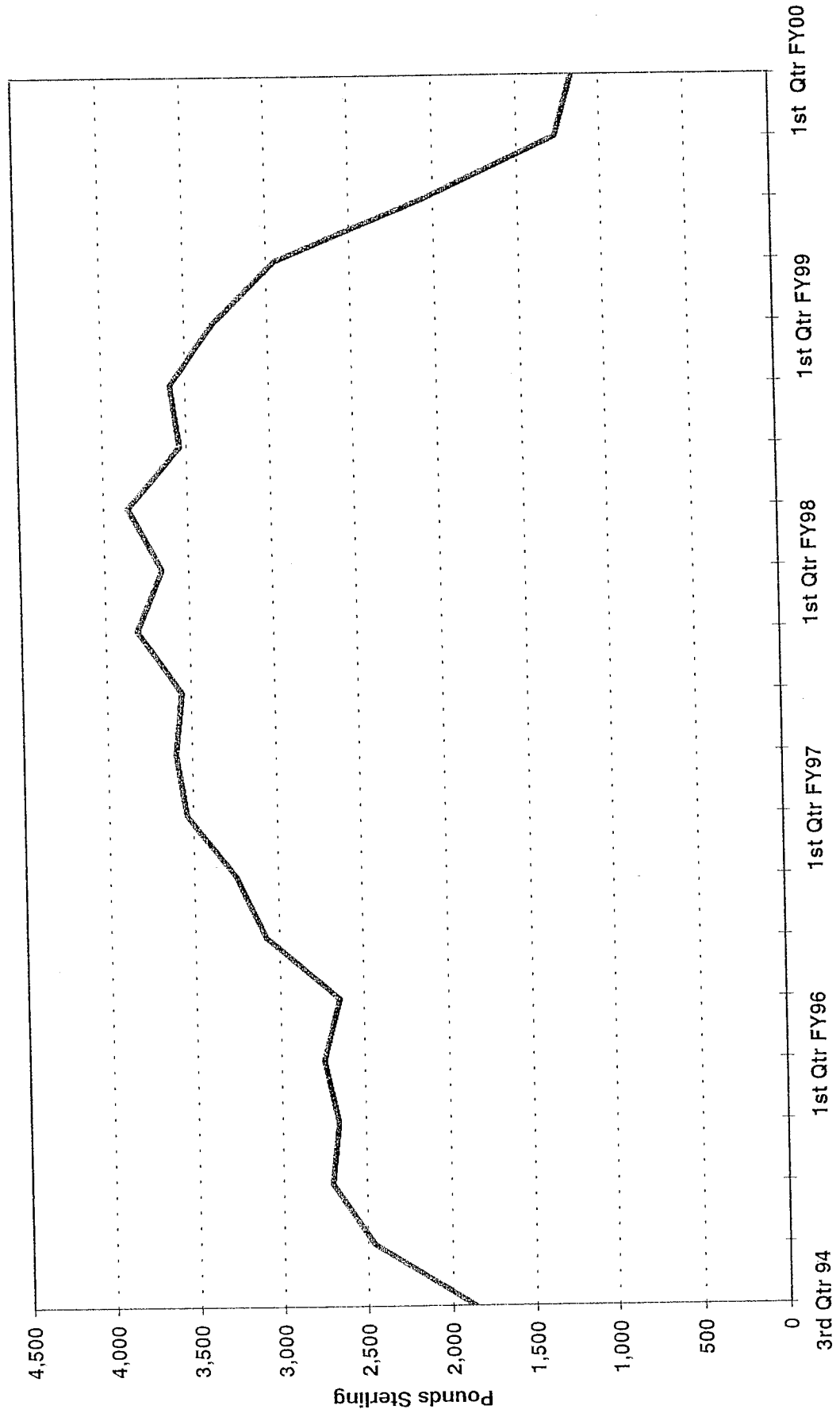
Mitchell, Shackleton & Co. Ltd.

# Operating Profit Percentages



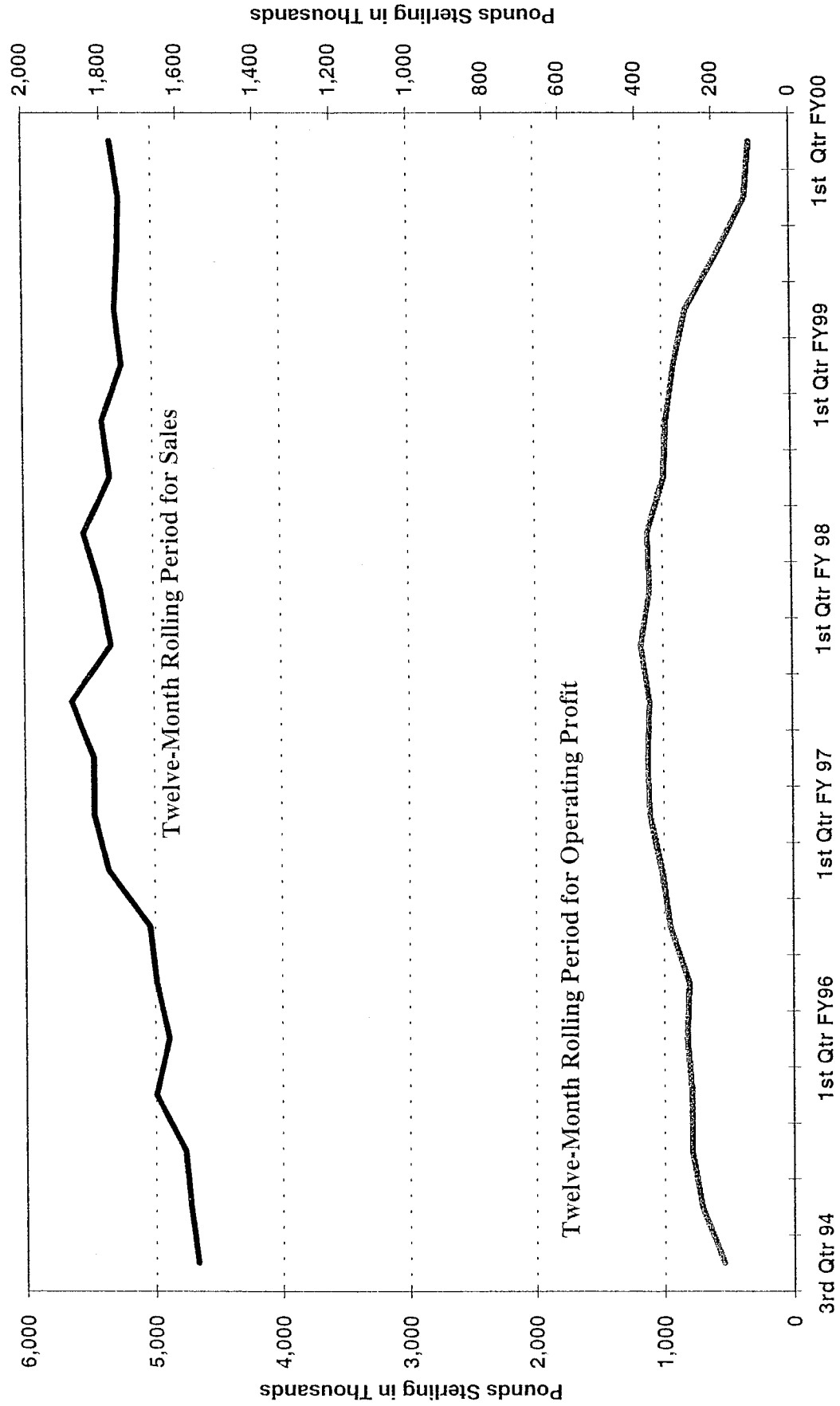
Mitchell, Shackleton & Co. Ltd.

Annual Operating Profit/Employee



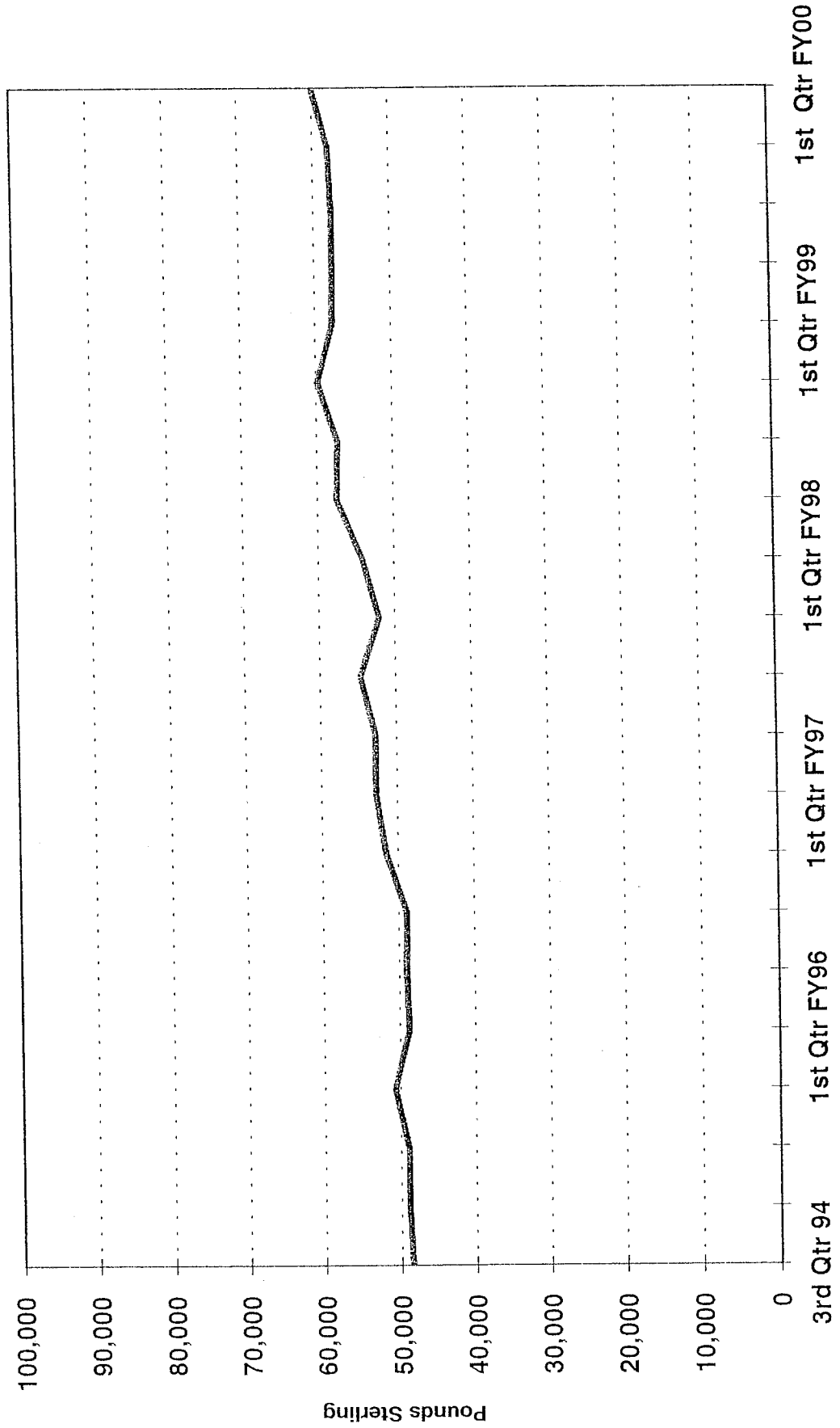
# Mitchell, Shackleton & Co. Ltd.

## Rolling Twelve-Month Period-Sales and Operating Profit



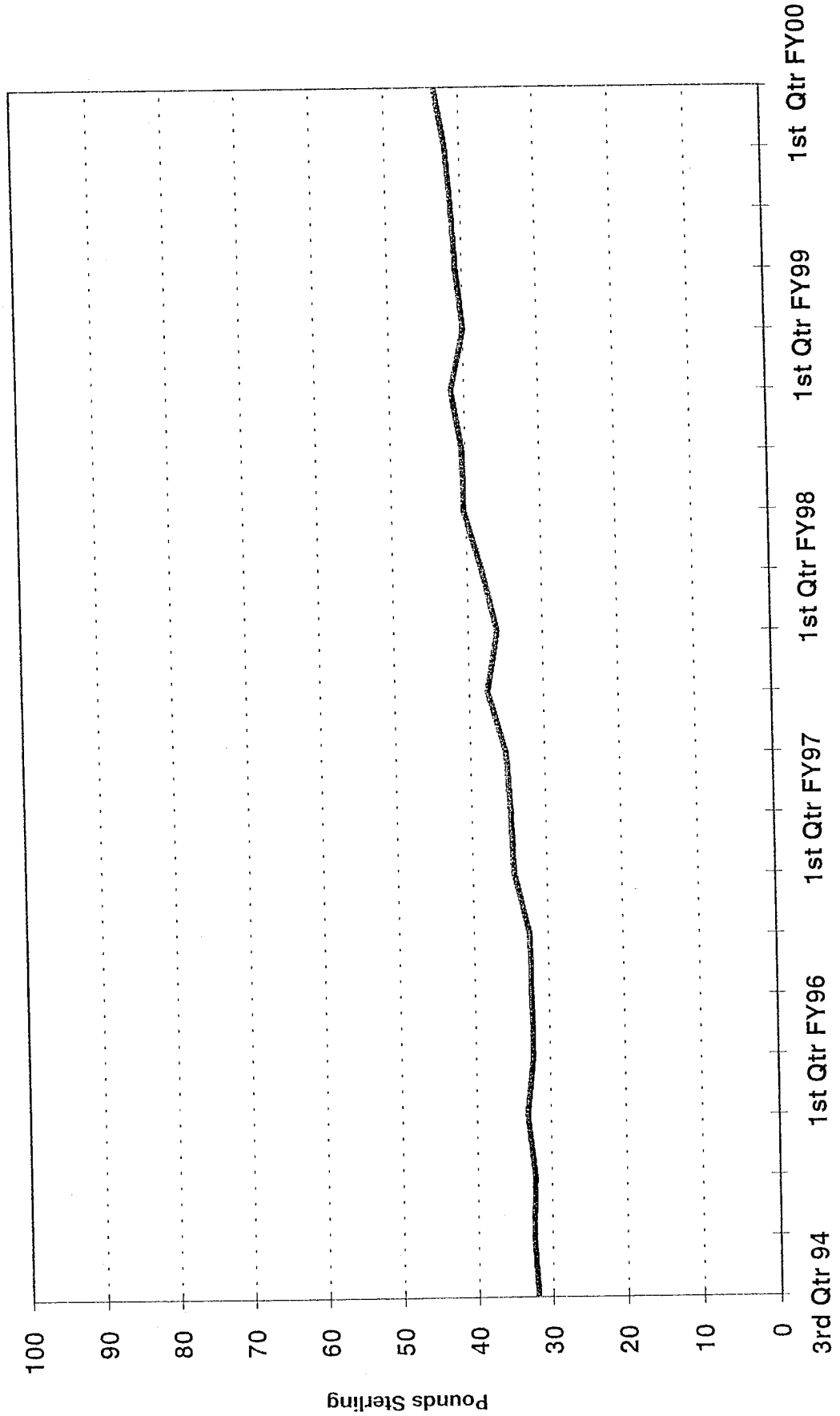
Mitchell, Shackleton & Co. Ltd.

**Annual Sales/Employee**



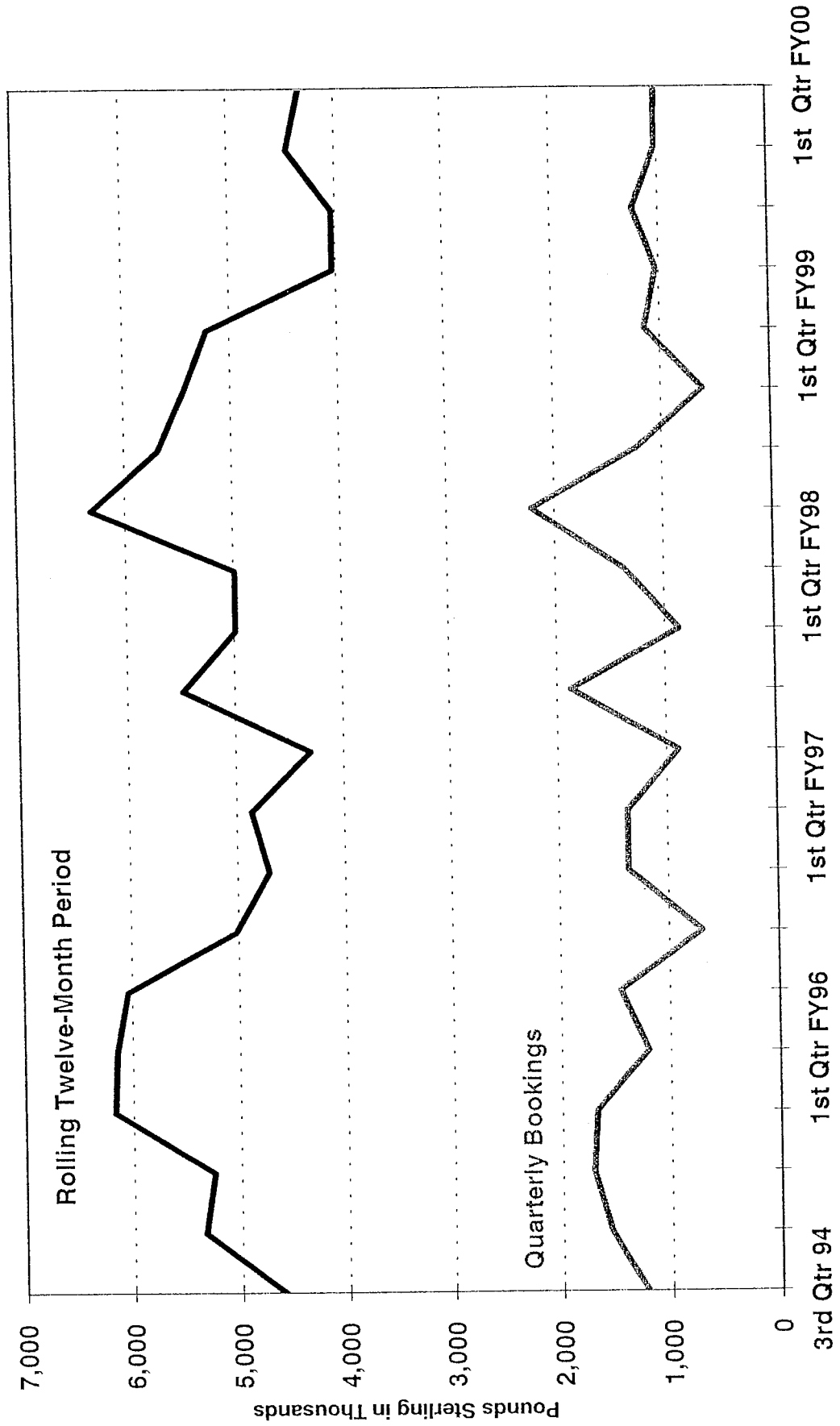
Mitchell, Shackleton & Co. Ltd.

**Annual Sales/Hours Worked Hourly**



Mitchell, Shackleton & Co. Ltd.

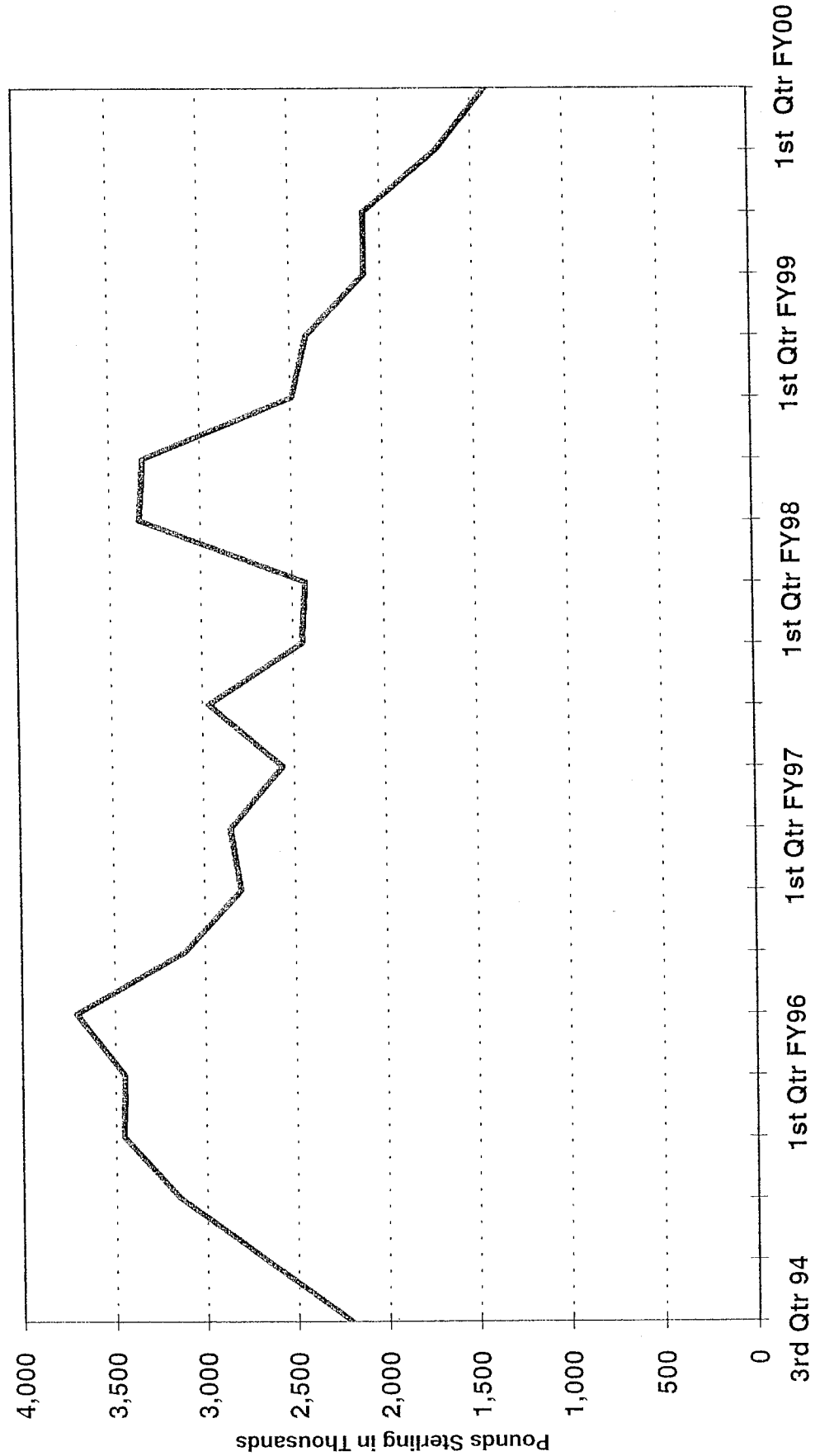
Bookings





Mitchell, Shackleton & Co. Ltd.

**Quarter Ending Backlog**



North West Gemasters Ltd.  
A Subsidiary of Naual Forge Europe Ltd.  
Results of Operations  
For the first quarter ended September 30, 1999 and September 30, 1998  
(dollars in thousands)

	First Quarter FY 2000	First Quarter FY 00 Plan	Better or (Worse) Than Plan	% Better or (Worse) Than Plan	First Quarter FY 1999	Better or (Worse) Than FY 99	% Better or (Worse) Than FY 99	FY 00 Business Plan
Sales-customers	\$773	\$1,005	(\$232)	(23.1) %	\$1,498	(\$725)	(48.4) %	\$4,458
Sales-intercompany	2	0	2	0.0	5	(3)	(60.0)	0
Net Sales	775	1,005	(230)	(22.9)	1,503	(728)	(48.4)	4,458
Cost of sales:								
Material	391	465	74	15.9	883	492	55.7	2,064
Labor	59	61	2	3.3	69	10	14.5	270
Overhead	108	152	44	28.9	124	16	12.9	673
Errors and defects	0	0	0	0.0	0	0	0.0	0
Cost of sales	558	678	120	17.7	1,076	518	48.1	3,007
Gross profit	217	327	(110)	(33.6)	427	(210)	(49.2)	1,451
Selling	37	65	28	43.1	65	28	43.1	262
Administrative	106	124	18	14.5	137	31	22.6	503
Operating profit	74	138	(64)	(46.4)	225	(151)	(67.1)	686
Other expense (income)	0	0	0	0.0	0	0	0.0	0
Interest expense (income)	4	6	2	33.3	2	(2)	(100.0)	40
Pre-tax profit	\$70	\$132	(\$62)	(47.0) %	\$223	(\$153)	(68.6) %	\$646
As a percent of net sales								
Net Sales	100.0%	100.0%	0.0%		100.0%	0.0%		100.0%
Cost of sales:								
Material	50.5	46.3	(4.2)		58.7	8.3		46.3
Labor	7.6	6.1	(1.5)		4.6	(3.0)		6.1
Overhead	13.9	15.1	1.2		8.3	(5.7)		15.1
Errors and defects	0.0	0.0	0.0		0.0	0.0		0.0
Cost of sales	72.0	67.5	(4.5)		71.6	(0.4)		67.5
Gross profit	28.0	32.5	(4.5)		28.4	(0.4)		32.5
Selling and administrative	18.5	18.8	0.4		13.4	(5.0)		17.2
Operating profit	9.5	13.7	(4.2)		15.0	(5.4)		15.4
Other expense (income)	0.0	0.0	0.0		0.0	0.0		0.0
Interest expense (income)	0.5	0.6	0.1		0.1	(0.4)		0.9
Pre-tax profit	9.0	13.1	(4.1)		14.8	(5.8)		14.5

North West Forgemasters Ltd.  
Subsidiary of National Forge Europe Ltd.

Balance Sheet

(dollars in thousands)

	September 30, 1999 Actual	September 30, 1998 Actual
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$0	\$0
Accounts receivable	781	1,518
Intercompany receivables	1,003	600
Inventories:		
Work in process	137	197
Supplies	140	155
Total Inventories	277	352
Prepaid expenses	0	0
<b>Total Current Assets</b>	2,061	2,470
Property, Plant and Equipment - net	479	547
Other Assets	0	0
<b>TOTAL ASSETS</b>	<u>\$2,540</u>	<u>\$3,017</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Notes payable	\$357	\$129
Current portion of long term debt	0	0
Accounts payable	576	1,003
Salaries, wages and commissions	0	0
Accrued taxes on income	384	265
Accrued pension	0	0
Customer deposits	0	0
Other accrued liabilities	58	117
<b>Total Current Liabilities</b>	1,375	1,514
Long Term Debt	0	0
Intercompany Payables	0	0
<b>TOTAL LIABILITIES</b>	<u>1,375</u>	<u>1,514</u>
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock	2	2
Additional Paid in Capital	1,004	1,004
Retained Earnings (Deficit)	173	452
Foreign Currency Translation Adjustment	(14)	45
<b>TOTAL COMMON SHAREHOLDERS' EQUITY</b>	1,165	1,503
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$2,540</u>	<u>\$3,017</u>
<b>WORKING CAPITAL</b>	<u>\$686</u>	<u>\$956</u>

North West Forgemasters Ltd.  
Subsidiary of National Forge Europe Ltd.  
Statement of Cash Flows  
Period Ended September 30, 1999 and September 30, 1998  
(dollars in thousands)

	First quarter	
	FY 2000	FY 1999
<b>Cash Flows From Operating Activities:</b>		
Net income (loss)	\$49	\$153
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	16	11
Deferred taxes	0	0
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	8	33
(Increase) decrease in inventories	0	167
(Increase) decrease in prepaid expenses	0	0
Increase (decrease) in accounts payable	(64)	(43)
Increase (decrease) in income taxes	37	20
Increase (decrease) in customer deposits	0	0
Increase (decrease) in all other current liabilities (excluding borrowings)	30	27
Other net	0	0
<b>Net Cash Provided By (Used For) Operating Activities</b>	<b>76</b>	<b>368</b>
<b>Cash Flows From Investing Activities:</b>		
(Additions) reductions of property, plant and equipment	(2)	(25)
<b>Net Cash Used In Investing Activities</b>	<b>(2)</b>	<b>(25)</b>
<b>Cash Flows From Financing Activities:</b>		
Additional (repayment of) borrowings	193	(99)
Dividend payment	(262)	0
Increase (decrease) in intercompany account	(42)	(263)
<b>Net Cash Provided By Financing Activities</b>	<b>(111)</b>	<b>(362)</b>
Change in cumulative foreign currency translation adjustment	37	19
<b>Increase (Decrease) In Cash And Cash Equivalents</b>	<b>\$0</b>	<b>\$0</b>

National | Europe, Ltd.  
Including Only North West Forgemasters Ltd.  
Results of Operations  
For the first quarter ended September 30, 1999 and September 30, 1998  
(dollars in thousands)

	First Quarter FY 2000	First Quarter FY 00 Plan	Better or (Worse) Than Plan	% Better or (Worse) Than Plan	First Quarter FY 1999	Better or (Worse) Than FY 99	% Better or (Worse) Than FY 99	FY 00 Business Plan
Sales-customers	\$773	\$1,005	(\$232)	(23.1) %	\$1,498	(\$725)	(48.4) %	\$4,458
Sales-intercompany	2	0	2	0.0	5	(3)	(60.0)	0
Net Sales	775	1,005	(230)	(22.9)	1,503	(728)	(48.4)	4,458
Cost of sales:								
Material	391	465	74	15.9	883	492	55.7	2,064
Labor	59	61	2	3.3	69	10	14.5	270
Overhead	108	152	44	28.9	124	16	12.9	673
Errors and defects	0	0	0	0.0	0	0	0.0	0
Cost of sales	558	678	120	17.7	1,076	518	48.1	3,007
Gross profit	217	327	(110)	(33.6)	427	(210)	(49.2)	1,451
Selling	37	65	28	43.1	65	28	43.1	262
Administrative	119	136	17	12.5	139	20	14.4	551
Operating profit	61	126	(65)	(51.6)	223	(162)	(72.6)	638
Other expense (income)	74	74	0	0.0	77	3	3.9	297
Interest expense	76	82	6	7.3	129	53	41.1	348
Pre-tax profit (loss)	(\$89)	(\$30)	(\$59)	(196.7) %	\$17	(\$106)	(623.5) %	(\$7)
Net Sales	100.0%	100.0%	0.0%		100.0%	0.0%		100.0%
Cost of sales:								
Material	50.5	46.3	(4.2)		58.7	8.3		46.3
Labor	7.6	6.1	(1.5)		4.6	(3.0)		6.1
Overhead	13.9	15.1	1.2		8.3	(5.7)		15.1
Errors and defects	0.0	0.0	0.0		0.0	0.0		0.0
Cost of sales	72.0	67.5	(4.5)		71.6	(0.4)		67.5
Gross profit	28.0	32.5	(4.5)		28.4	(0.4)		32.5
Selling and administrative	20.1	20.0	(0.1)		13.6	(6.6)		18.2
Operating profit	7.9	12.5	(4.7)		14.8	(7.0)		14.3
Other expense (income)	9.5	7.4	(2.2)		5.1	(4.4)		6.7
Interest expense	9.8	8.2	(1.6)		8.6	(1.2)		7.8
Pre-tax profit (loss)	(11.5)	(3.0)	(8.5)		1.1	(12.6)		(0.2)

As a percent of net sales

National Forge Europe Ltd.  
Subsidiary of National Forge Company  
Balance Sheet  
(dollars in thousands)

	September 30, 1999 Actual	September 30, 1998 Actual
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$473	\$395
Accounts receivable	3	0
Intercompany receivables	0	0
Inventories:		
Work in process	0	0
Supplies	0	0
Total Inventories	0	0
Prepaid expenses	3	0
<b>Total Current Assets</b>	479	395
Property, Plant and Equipment - net	0	0
Investment in subsidiaries	5,108	5,108
Other Assets	0	0
Goodwill	5,503	5,993
<b>TOTAL ASSETS</b>	<u>\$11,090</u>	<u>\$11,496</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Notes payable	\$0	\$0
Current portion of long term debt	1,138	1,112
Accounts payable	20	10
Salaries, wages and commissions	0	0
Accrued taxes on income	(185)	(42)
Other accrued liabilities	0	0
<b>Total Current Liabilities</b>	973	1,080
Long Term Debt	3,503	4,413
Intercompany Payables	1,191	731
<b>TOTAL LIABILITIES</b>	<u>5,667</u>	<u>6,224</u>
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock	5,709	5,709
Additional Paid in Capital	0	0
Retained Earnings (Deficit)	(301)	(447)
Foreign Currency Translation Adjustment	15	10
<b>TOTAL COMMON SHAREHOLDERS' EQUITY</b>	<u>5,423</u>	<u>5,272</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$11,090</u>	<u>\$11,496</u>
<b>WORKING CAPITAL</b>	<u>(\$494)</u>	<u>(\$685)</u>

National Forge Europe Ltd.  
A Subsidiary of National Forge Company  
Statement of Cash Flows  
Period Ended September 30, 1999 and September 30, 1998  
(dollars in thousands)

	First quarter	
	FY 2000	FY 1999
<b>Cash Flows From Operating Activities:</b>		
Net income (loss)	\$128	(\$168)
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	0	0
Deferred taxes	0	0
Amortization	74	77
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(1)	0
(Increase) decrease in inventories	0	0
(Increase) decrease in prepaid expenses	0	3
Increase (decrease) in accounts payable	(15)	(85)
Increase (decrease) in income taxes	(33)	34
Increase (decrease) in customer deposits	0	0
Increase (decrease) in all other current liabilities (excluding borrowings)	0	0
Other net	(235)	(115)
<b>Net Cash Provided By (Used For) Operating Activities</b>	<b>(82)</b>	<b>(254)</b>
<b>Cash Flows From Investing Activities:</b>		
(Additions) reductions of property, plant and equipment	0	0
<b>Net Cash Used In Investing Activities</b>	<b>0</b>	<b>0</b>
<b>Cash Flows From Financing Activities:</b>		
Additional (repayment of) borrowings	196	105
Increase (decrease) in intercompany account	84	346
<b>Net Cash Provided By Financing Activities</b>	<b>280</b>	<b>451</b>
Change in cumulative foreign currency translation adjustment	8	6
<b>Increase (Decrease) In Cash And Cash Equivalents</b>	<b>\$206</b>	<b>\$203</b>

**NORTH WEST FORGEMASTERS LTD.****QUARTERLY REPORT TO NATIONAL FORGE COMPANY BOARD OF DIRECTORS****OCTOBER, 1999****1. FINANCIAL UPDATE**

The trading performance achieved in the first quarter of FY2000 continues to be disappointing with sales representing only 78 percent of Business Plan and 74 percent of the comparative actual figure for the previous year though to some extent this was distorted by the inclusion of flanges in the early part of FY99.

This reduction in volume together with increased pressure on margins has resulted in the return on sales falling below 10 percent.

Whilst it would be possible to reduce costs by declaring a small redundancy exercise, it is currently considered more important to retain the skills and focus upon a number of marketing initiatives to increase sales.

A comparison with the previous year reveals that the pre-tax net profit is £12,000 higher, however, it is considered very unlikely that the current Business Plan projections of £2,750,000 sales and a pre-tax profit of £402,000 are achievable. The revised forecast will be included in the three-year strategic plan, which is currently being compiled.

**3 MONTHS ENDED SEPTEMBER, 1999**£000's

<b>1<sup>st</sup> Quarter FY 1999 Actual</b>		<b>1<sup>st</sup> Quarter FY 2000 Actual      FY 2000 Business Plan</b>	
£655	Sales	£483	£620
£154	Manufacturing Profit	£134	£201
23.5%	% of Sales	27.7%	32.4%
£32	Trading Profit	£45	£85
£31	Net Profit	£43	£81
4.7%	Return on Sales	8.9%	13.1%
66.0%	Return on Net Assets	54.8%	103.2%
£76	Net External Borrowings	£217	£307
£501	Capital Employed	£705	£495



## 2. OPERATIONAL REVIEW

Employee levels have remained consistent throughout the quarter with overtime kept to a minimum in line with meeting customer delivery requirements. Due to low workloads, we have not experienced any difficulties with machine tool loading or critical areas of plant.

The increased order levels at North West Flanges have recently benefited the vertical boring section which is carrying out sub-contract machining of large flanges on their behalf. This area has traditionally been very short of work since the flange business was transferred to Patricroft.

One area of management concern still revolves around the installation of the new computer system which is running behind schedule. Whilst this issue is being dealt with, data retrieval in many areas is still being carried out manually which is inefficient and time consuming for all concerned.

## 3. MARKETING.

Orders received in the quarter amounted to £473,000, which is a very modest 4 ½% better than the last quarter and some significant way below Business Plan projections. Sales for the same period were £483,000. The low backlog of orders for some time now means that as a rule of thumb this month's order intake equals next month's sales.

It has been decided that our external sales person Richard Price, should be encouraged to increase his area coverage and he has already made visits in the North East of England to target accounts. Enquiries have been received but we have still to convert these to orders.

The recent changes at Ulstein following their acquisition by Vickers are still causing concern. This has been complicated further by Rolls Royce acquiring the newly formed Vickers Ulstein Marine Systems Company. We have recently received a copy press release from Vickers Ulstein, which expresses greater optimism for UK component manufacture but does not expand on the impact of Rolls Royce's involvement. Alstom Energy also remains an uncertainty as we await further developments from ABB with regard to the future of the Stafford site. The remainder of our major accounts are still holding up well in the light of the difficult trading conditions, particularly considering the continuing strength of sterling.

4. STRATEGIC PLANNING

We have finally received the results of our enquiry with the Chamber of Commerce with regard to finding potential agents in the Norwegian market place. Nine companies have expressed an interest in further discussions and sixteen companies have shown no interest. Of the sixteen companies who did not wish to consider agency agreements, one has already placed an order generating sufficient profit to pay for half the exercise. The remainder of the cost will be recovered in grants when we visit Norway.

From early discussions on the three year strategic plan, it has been very apparent that we will have to actively pursue a number of marketing initiatives, perhaps the most obvious of which would be to seek an additional sales person who can bring new accounts/products to North West Forgemasters. This has further been reinforced by the success of this exercise at North West Flanges.

I. Thomas  
Managing Director

IT/BE  
19 October, 1999

National Forge Company Holdings, Inc.  
Consolidating Results of Operations  
First Quarter Ended September 30, 1999  
*(dollars in thousands)*

	NFC Irvine Plant *	National Forge Components, Inc.	Mitchell Shackleton & Co., Ltd.	Global Crankshaft Services Ltd.	North West Forgemasters, Ltd.	National Forge Europe, Ltd.	NFC Holdings, Inc. Consolidated
Sales-Customers	\$15,060	\$95	\$2,064	\$45	\$773	\$0	\$18,037
Sales-Intercompany/Dividends	0	0	2	0	2	262	0
Net sales	15,060	95	2,066	45	775	262	18,037
Cost of sales	12,912	88	1,712	29	558	0	15,295
Gross profit	2,148	7	354	16	217	262	2,742
Selling Administrative	699 1,057	0 19	57 243	5 29	37 106	0 13	798 1,467
Operating profit (loss)	392	(12)	54	(18)	74	249	477
Other deductions (income)	299	(2)	0	0	0	74	371
Interest	352	3	25	2	4	72	458
Minority interest	0	0	0	(5)	0	0	(5)
Pre-tax profit (loss)	(259)	(13)	29	(15)	70	103	(347)
Taxes	0	1	0	(6)	21	(25)	(9)
Net profit (loss)	(\$259)	(\$14)	\$29	(\$9)	\$49	\$128	(\$338)
Income before: Interest and Taxes	\$93	(\$10)	\$54	(\$13)	\$74	\$175	\$111
Interest, Taxes and Depreciation	\$795	(\$7)	\$135	(\$7)	\$90	\$175	\$919
Total Depreciation	\$702	\$3	\$81	\$6	\$16	\$0	\$808

\* NFC Irvine Plant also includes the results of National Forge Export, LTD. and NFEP, Inc.

National Forge      y Holdings, Inc.  
Consolidated Balance Sheet  
As of September 30, 1999  
(dollars in thousands)

	NFC Irvine Plant *	National Forge Components, Inc.	Mitchell Shackleton & Co., Ltd.	Global Crankshaft Services Ltd.	North West Forgemasters, Ltd.	National Forge Europe, Ltd.	NFC Holdings, Inc.	NFC Holdings, Inc. Consolidated
<b>ASSETS</b>								
Current Assets:								
Cash and cash equivalents	\$49	\$0	\$5	\$0	\$0	\$473	\$0	\$527
Accounts receivable	10,409	62	2,634	122	781	3	0	14,011
Intercompany receivables	416	0	(72)	0	1,003	0	8,164	0
Inventories	14,731	0	1,186	3	277	0	0	16,197
Prepaid expenses	784	6	0	3	0	3	0	796
Total Current Assets	26,389	68	3,753	128	2,061	479	8,164	31,531
Property, Plant and Equipment - net	25,894	85	3,932	91	479	0	0	30,481
Investment in subsidiaries	6,772	0	125	0	0	5,108	1,601	0
Other Assets	8,552	2	667	0	0	0	0	9,221
Goodwill	4,167	0	0	69	0	5,503	0	9,739
<b>TOTAL ASSETS</b>	<b>\$71,774</b>	<b>\$155</b>	<b>\$8,477</b>	<b>\$288</b>	<b>\$2,540</b>	<b>\$11,090</b>	<b>\$9,765</b>	<b>\$80,972</b>
<b>LIABILITIES</b>								
Current Liabilities:								
Notes payable	\$2,595	\$0	\$715	\$66	\$357	\$0	\$0	\$3,733
Current portion of long term debt	3,229	0	296	0	0	1,138	0	4,663
Accounts payable	3,536	1	968	79	576	20	0	5,180
Other accrued liabilities	8,166	0	387	18	442	(185)	64	8,892
Total Current Liabilities	17,526	1	2,366	163	1,375	973	64	22,468
Long Term Debt	13,076	0	168	0	0	3,503	0	16,747
Pension and Other Noncurrent Liabilities	(805)	0	0	0	0	0	0	(805)
Postretirement and Postemployment Benefits	32,906	0	0	0	0	0	0	32,906
Other Than Pensions	8,164	156	1,062	0	0	1,191	0	0
Intercompany payables	70,867	157	3,596	163	1,375	5,667	64	71,316
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>
Minority Interest								
<b>SHAREHOLDERS' EQUITY</b>								
Common Stock	0	0	0	0	0	0	5	5
Class A Common Stock to be issued to the ESOP Trust	0	0	0	0	0	0	1	0
Common Stock	0	1	2,708	125	2	5,709	0	0
Additional Paid in Capital	1,601	0	1,847	0	1,004	0	15,740	21,200
Retained Earnings (Deficit)	(725)	(3)	(866)	(26)	0	(301)	(5,346)	(11,097)
Minimum Pension Liability Adjustment	0	0	0	0	0	0	0	0
Foreign Currency Translation Adjustment	31	0	1,192	(4)	(14)	15	0	217
Less Treasury	0	0	0	0	0	0	(699)	(699)
Total Common Shareholders' Equity	907	(2)	4,881	95	1,165	5,423	9,701	9,626
<b>TOTAL LIABILITIES, PREFERRED STOCK AND EQUITY</b>	<b>\$71,774</b>	<b>\$155</b>	<b>\$8,477</b>	<b>\$288</b>	<b>\$2,540</b>	<b>\$11,090</b>	<b>\$9,765</b>	<b>\$80,972</b>
<b>WORKING CAPITAL</b>	<b>\$8,863</b>	<b>\$67</b>	<b>\$1,387</b>	<b>(\$35)</b>	<b>\$686</b>	<b>(\$494)</b>	<b>\$8,100</b>	<b>\$9,063</b>

\* NFC Irvine Plant also includes the results of National Forge Export, LTD. and NFIP, Inc.

LLC: 10/21/99

National Forge Company Holdings, Inc.  
 Co. of the State of Maryland  
 Results of Operations  
 For the first quarter ended September 30, 1999 and September 30, 1998  
*(dollars in thousands)*

	First Quarter FY 2000	First Quarter FY 00 Plan	Better or (Worse) Than Plan	% Better or (Worse) Than Plan	First Quarter FY 1999 Restated	Better or (Worse) Than FY 99	% Better or (Worse) Than FY 99	FY 00 Business Plan
Net Sales	\$18,037	\$21,506	(\$3,469)	(16.1) %	\$18,513	(\$476)	(2.6) %	\$86,657
Cost of sales:								
Material	4,007	4,193	186	4.4	3,981	(26)	(0.7)	17,061
Labor	1,941	2,165	224	10.3	1,785	(156)	(8.7)	8,627
Overhead	8,596	9,977	1,381	13.8	8,553	(43)	(0.5)	41,896
Errors and defects	316	475	159	33.5	183	(133)	(72.7)	1,862
Period costs	357	410	53	12.9	302	(55)	(18.2)	1,668
Research and development	78	208	130	62.5	29	(49)	(169.0)	502
Cost of sales	15,295	17,428	2,133	12.2	14,833	(462)	(3.1)	71,616
Gross profit	2,742	4,078	(1,336)	(32.8)	3,680	(938)	(25.5)	15,041
Selling	798	972	174	17.9	796	(2)	(0.3)	3,943
Administrative	1,467	1,525	58	3.8	1,463	(4)	(0.3)	6,014
Operating profit	477	1,581	(1,104)	(69.8)	1,421	(944)	(66.4)	5,084
Other expense (income)	371	316	(55)	(17.4)	75	(296)	(394.7)	1,263
Interest expense	458	564	106	18.8	677	219	32.3	2,214
Minority interest	(5)	3	8	266.7	3	8	266.7	12
Pre-tax profit (loss)	(347)	698	(1,045)	(149.7)	666	(1,013)	(152.1)	1,595
Taxes	(9)	(2)	7	350.0	212	221	104.2	8
Net income (loss)	(\$338)	\$700	(\$1,038)	(148.3) %	\$454	(\$792)	(174.4) %	\$1,587

As a percent of net sales

	100%	100%	0.0%	100%	0.0%	100%
Net Sales	100%	100%	0.0%	100%	0.0%	100%
Cost of sales:						
Material	22.2	19.5	(2.7)	21.5	(0.7)	19.7
Labor	10.8	10.1	(0.7)	9.6	(1.1)	10.0
Overhead	47.7	46.4	(1.3)	46.2	(1.5)	48.3
Errors and defects	1.8	2.2	0.5	1.0	(0.8)	2.1
Other costs	2.4	2.9	0.5	1.8	(0.6)	2.5
Cost of sales	84.8	81.0	(3.8)	80.1	(4.7)	82.6
Gross profit	15.2	19.0	(3.8)	19.9	(4.7)	17.4
Selling and administrative	12.6	11.6	(0.9)	12.2	(0.4)	11.5
Operating profit	2.6	7.4	(4.7)	7.7	(5.0)	5.9
Other expense (income)	2.1	1.5	(0.6)	0.4	(1.7)	1.5
Interest expense	2.5	2.6	0.1	3.7	1.1	2.6
Minority interest	(0.0)	0.0	0.0	0.0	0.0	0.0
Pre-tax profit (loss)	(1.9)	3.2	(5.2)	3.6	(5.5)	1.8
Taxes	(0.0)	(0.0)	0.0	1.1	1.2	0.0
Net income (loss)	(1.9)	3.3	(5.1)	2.5	(4.3)	1.8

Prior periods have been restated to reflect inventory calculated on a FIFO basis.

LLC 10/27/99

## National Forge Company Holdings, Inc.

## Consolidated Balance Sheet

(dollars in thousands)

	September 30, 1999 Actual	September 30, 1998 Restated
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$527	\$4,650
Accounts receivable	14,011	14,934
Inventories:		
Work in process	12,926	13,728
Raw materials	1,003	1,042
Supplies	2,268	2,362
Total Inventories	16,197	17,132
Prepaid expenses	796	1,177
Deferred income taxes	0	306
<b>Total Current Assets</b>	<b>31,531</b>	<b>38,199</b>
Property, Plant and Equipment - net	30,481	28,633
Deferred Income Taxes	0	6,235
Other Assets	9,221	9,706
Goodwill	9,739	10,436
<b>TOTAL ASSETS</b>	<b>\$80,972</b>	<b>\$93,209</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Notes payable	\$3,733	\$1,122
Current portion of long term debt	4,663	6,702
Accounts payable	5,180	5,985
Salaries, wages and commissions	2,577	2,612
Accrued taxes on income	567	131
Accrued pension	17	58
Customer deposits	241	243
Deferred Income Taxes	364	376
Other accrued liabilities	5,126	4,551
<b>Total Current Liabilities</b>	<b>22,468</b>	<b>21,780</b>
Long Term Debt	16,747	21,202
Pension and Other Noncurrent Liabilities	(805)	297
Postretirement and Postemployment Benefits Other Than Pensions	32,906	32,805
<b>TOTAL LIABILITIES</b>	<b>71,316</b>	<b>76,084</b>
Minority Interest	30	37
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock, \$.01 Par Value-Authorized 635,000 Shares; 475,708 Shares Outstanding as of September 30, 1999 and 0 Shares Outstanding as of September 30, 1998	5	0
Common Stock, Class A, \$.01 Par Value-Authorized 635,000 Shares; 0 Shares Outstanding as of September 30, 1999 and 384,117 Shares Outstanding as of September 30, 1998	0	4
Common Stock, Class B, \$.01 Par Value-Authorized 1,000,000 Shares; 0 Shares Outstanding as of September 30, 1999 and 140,346 Shares Outstanding as of September 30, 1998	0	2
Common Stock to be issued to the ESOP Trust	0	0
Additional Paid in Capital	21,200	17,400
Retained Earnings	(11,097)	573
Minimum Pension Liability Adjustment	0	(571)
Foreign Currency Translation Adjustment	217	430
Less Common Stock held in Treasury, 15,682 shares as of September 30, 1999 and 18,872 shares as of September 30, 1998	(699)	(750)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>9,626</b>	<b>17,088</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$80,972</b>	<b>\$93,209</b>
<b>WORKING CAPITAL</b>	<b>\$9,063</b>	<b>\$16,419</b>

Prior periods have been restated to reflect inventory calculated on a FIFO basis.

## Consolidated

## Statement of Cash Flows

Period Ended September 30, 1999 and September 30, 1998

(dollars in thousands)

	First quarter	
	FY 2000	FY 1999
<b>Cash Flows From Operating Activities:</b>		
Net income (loss)	(\$338)	\$454
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for Common Stock to be issued to the ESOP Trust	1,365	1,235
Depreciation	808	706
Amortization	257	263
Deferred taxes	0	0
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	1,388	1,953
(Increase) decrease in inventories	(952)	(261)
(Increase) decrease in prepaid expenses	(712)	(706)
Increase (decrease) in accounts payable	(22)	(378)
Increase (decrease) in income taxes	(114)	(38)
Increase (decrease) in customer deposits	124	16
Increase (decrease) in all other current liabilities (excluding borrowings)	(2,307)	(2,973)
Other net	33	(98)
<b>Net Cash Provided By (Used For) Operating Activities</b>	<b>(470)</b>	<b>173</b>
<b>Cash Flows From Investing Activities:</b>		
(Additions) reductions of property, plant and equipment	(822)	(1,490)
<b>Net Cash Used In Investing Activities</b>	<b>(822)</b>	<b>(1,490)</b>
<b>Cash Flows From Financing Activities:</b>		
Additional (repayment of) borrowings	1,089	(493)
Repurchase of stock	0	(117)
<b>Net Cash Provided By Financing Activities</b>	<b>1,089</b>	<b>(610)</b>
Change in cumulative foreign currency translation adjustment	110	65
<b>Increase (Decrease) In Cash And Cash Equivalents</b>	<b>(\$93)</b>	<b>(\$1,862)</b>

**Summary of Loans Outstanding -Irvine**  
(000's Omitted)

	<u>9/30/99</u>	<u>6/30/99</u>	<u>3/31/99</u>	<u>12/31/98</u>	<u>9/30/98</u>
<b>Notes payable and current portion of long-term debt</b>					
Revolver	\$ 2,595	\$ 786	\$ -	\$ -	\$ -
Term Loan	3,143	3,143	3,149	2,946	4,762
Capitalized Leases	-	-	-	-	3
Gas Pipeline	-	-	7	44	74
MELF-Pa loan	86	85	84	83	81
Warrant Amortization	-	-	-	-	-
Total	<u>\$ 5,824</u>	<u>\$ 4,014</u>	<u>\$ 3,240</u>	<u>\$ 3,073</u>	<u>\$ 4,920</u>
<b>Long-Term Debt</b>					
Term Loan	\$ 12,916	\$ 13,702	\$ 14,482	\$ 15,274	\$ 16,059
Capitalized Leases	-	-	-	-	-
Gas Pipeline	-	-	-	-	-
MELF-Pa loan	160	182	204	225	247
Warrant Amortization	-	-	-	-	-
Total	<u>\$ 13,076</u>	<u>\$ 13,884</u>	<u>\$ 14,686</u>	<u>\$ 15,499</u>	<u>\$ 16,306</u>
<b>Total Debt</b>					
Revolver	\$ 2,595	\$ 786	\$ -	\$ -	\$ -
Term Loan	16,059	16,845	17,631	18,220	20,821
Capitalized Leases	-	-	-	-	3
Gas Pipeline	-	-	7	44	74
MELF-Pa loan	246	267	288	308	328
Warrant Amortization	-	-	-	-	-
Total	<u>\$ 18,900</u>	<u>\$ 17,898</u>	<u>\$ 17,926</u>	<u>\$ 18,572</u>	<u>\$ 21,226</u>
<b>Total Cash and cash equivalents</b>	<u>\$ 49</u>	<u>\$ 348</u>	<u>\$ 5,940</u>	<u>\$ 1,697</u>	<u>\$ 4,051</u>
<b>Net Borrowings</b>	<u>\$ 18,851</u>	<u>\$ 17,550</u>	<u>\$ 11,986</u>	<u>\$ 16,875</u>	<u>\$ 17,175</u>



**Summary of Loans Outstanding -Mitchell, Shackleton & Co. Ltd.**  
**(000's Omitted)**

	<u>9/30/99</u>	<u>6/30/99</u>	<u>3/31/99</u>	<u>12/31/98</u>	<u>9/30/98</u>
<b>Notes payable and current portion of long-term debt</b>					
Bank Overdraft	\$ 715	\$ 885	\$ 819	\$ 536	\$ 976
Business Development Loan	43	40	40	40	40
Capital Equipment Loans	66	151	250	317	401
Capital Equipment Leases	187	227	227	229	229
	<u>\$ 1,011</u>	<u>\$ 1,303</u>	<u>\$ 1,336</u>	<u>\$ 1,122</u>	<u>\$ 1,646</u>
<b>Long-Term Debt</b>					
Business Development Loan	\$ 27	\$ 36	\$ 48	\$ 60	\$ 72
Capital Equipment Loan	138	145	147	182	215
Capital Equipment Lease	3	11	71	133	196
	<u>\$ 168</u>	<u>\$ 192</u>	<u>\$ 266</u>	<u>\$ 375</u>	<u>\$ 483</u>
<b>Total Debt</b>					
Bank Overdraft	\$ 715	\$ 885	\$ 819	\$ 536	\$ 976
Business Development Loan	70	76	88	100	112
Capital Equipment Loan	204	296	397	499	616
Capital Equipment Lease	190	238	298	362	425
	<u>\$ 1,179</u>	<u>\$ 1,495</u>	<u>\$ 1,602</u>	<u>\$ 1,497</u>	<u>\$ 2,129</u>
<b>Total Cash and cash equivalents</b>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 6</u>	<u>\$ 7</u>	<u>\$ 10</u>
<b>Net Borrowings</b>	<u>\$ 1,174</u>	<u>\$ 1,490</u>	<u>\$ 1,596</u>	<u>\$ 1,490</u>	<u>\$ 2,119</u>
Exchange Rate	1.6471	1.5773	1.6118	1.6595	1.7000